

Message Text

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ACTION EUR-25

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C O N F I D E N T I A L SOFIA 0104

E.O. 11652: GDS

TAGS: ETRD, BU

SUBJECT: KAISER SIGNS LARGE MEMORANDUM OF UNDERSTANDING FOR
ECONOMIC COOPERATION WITH BULGARS

VIENNA FOR EWTC

REF: SOFIA 101

1. SUMMARY: VISITING BULGARIA JANUARY 23-26, VICE CHAIR-
MAND BOARD AND PRESIDENT OF KAISER INDUSTRIES E.E. TREFETHIN
GIVEN HIGHEST LEVEL TREATMENT BY BULGARS, INCLUDING ONE
HOUR MEETING WITH PARTY FIRST SECRETARY TODOR ZHIVKOV. AT
CONCLUSION OF VISIT MEMORANDUM SIGNED ON INDUSTRIAL AND
ECONOMIC COOPERATION WITH BULGARIA THAT HAS POTENTIAL OF
\$5 - 20 BILLION OVER LONG TERM. BOTH KAISER GROUP AND
BULGARIAN OFFICIALS HIGHLY PLEASED BY VISIT WHICH VICE
MINISTER FOREIGN TRADE LUKANOV DESCRIBED AS "BEST I HAVE
EVER PARTICIPATED IN". END SUMMARY.

2. GROUP OF KAISER EXECUTIVES ARRIVED BULGARIA
JANUARY 23 AND MET WITH MINISTER FOREIGN TRADE NEDEV,
MINISTER OF MACHINE BUILDING AND METALLURGY CHAKUROV,
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AND VICE MINISTER OF TRANSPORT, CONSTRUCTION AND

ENERGY. KAISER GROUP THEN INVITED FOR ONE HOUR MEETING WITH ZHIVKOV JANUARY 25 TO DISCUSS INDUSTRIAL COOPERATION. MEETING WAS DESCRIBED AS "STRAIGHTFORWARD" AND WITHOUT POLEMICS". ZHIVKOV REPORTED TO HAVE SAID THAT VARIOUS DEVELOPMENT PROJECTS WOULD GO FORWARD WITH OR WITHOUT US PARTICIPATION BUT THAT HE PERSONALLY HOPED "US BUSINESS COULD SEE POTENTIAL FOR JOINT EFFORTS WITH BULGARIA".

3. MEMORANDUM OF UNDERSTANDING SIGNED ON JANUARY 26 BETWEEN KAISER AND LUKANOV FOR MINISTRY OF FOREIGN TRADE. DETAILS OF MEMORANDUM TO REMAIN CONFIDENTIAL BUT INCLUDES FOLLOWING SPECIFIC PROJECTS TO BE STUDIED BY KAISER.

- CONSTRUCTION OF 2 MILLION TON CEMENT PLANT
- FEASIBILITY STUDY FOR 12 MILLION TON STEEL COMPLEX TO BE BUILT AT VARNA
- PROCESS TO UPGRADE IRON ORE USED AT KREMIKOVSI STEEL WORKS
- MODERNIZATION ALL EXISTING CEMENT FACTORIES IN BULGARIA AND INSTALLATION OF ANTI-POLLUTION EQUIPMENT AT CEMENT WORKS AT PLEVEN.
- PROCESS TO MODERNIZE WASHING OF SAND AND GRAVEL
- STUDY FOR EXTRACTION OF DEEP RESERVES OF COAL (ESTIMATED AT 1 BILLION TONS) AND MANGANESE IN DOBRUDZHA REGION
- RECONSTRUCTION AND MODERNIZATION OF VARNA PORT AND SHIP BUILDING WAYS AT VARNA
- DEVELOPMENT OF CONTAINERIZATION PROGRAM FOR FREIGHT FORWARDING IN BULGARIA.

IN ADDITION KAISER AND BULGARIANS WILL STUDY POSSIBILITY OF JOINT CONSTRUCTION OF 150,000 TON ALUMINUM FACTORY, AS WELL AS JOINT PROJECT FOR CONSTRUCTION OF MARINE ENGINES.

4. ACCORDING TO MEMORANDUM, KAISER WILL SEEK FINANCING OF PROJECTS THROUGH "PRIVATE AND GOVERNMENT" CHANNELS AND BULK OF PAYMENT WOULD BE IN PRODUCT. KAISER IS ALSO EXPLORING POSSIBILITY OF USING ITS OWN SOURCES OF RAW MATERIALS (I.E. BAUXITE AND HIGH GRADE IRON ORE) IN RETURN FOR FINISHED PRODUCTS.

5. ALTHOUGH MEMORANDUM HAS NO LEGAL STANDING, KAISER IS CONFIDENTIAL

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GENUINELY PLEASE WITH PROSPECT OF INDUSTRIAL COOPERATION ON MANY, IF NOT ALL, OF PROJECTS OUTLINED. ZHIVKOV REPORTEDLY SAID THAT BULGARS, WOULD, OF COURSE, BE TALKING WITH COMPETITORS, BUT THAT SIGNATURE OF MEMORANDUM WOULD GIVE KAISER PRIORITY POSITION.

6. POTENTIAL OF BUSINESS NEARLY IMPOSSIBLE TO GAUGE (STEEL MILL ALONE WOULD BE WORTH \$4-5 BILLION), BUT

KAISER GROUP ESTIMATES THAT IF ALL PROJECTS UNDERTAKEN PRICE COULD BE AS MUCH AS \$17-20 BILLION OVER TWENTY-YEAR PERIOD.

7. BULGARIA'S RABOTNICHESKO DELO GAVE PROMINENT MEDIA ATTENTION TO VISIT AND PRINTED TEXT OF JOINT PRESS ANNOUNCEMENT UNDER HEADLINE "THE BEGINNINGS OF GOOD BUSINESS RELATIONS". TV CARRIED FILM OF ZHIVKOV MEETING AS ONE OF LEAD STORIES.

8. COMMENT: TIMING OF NEXT STEPS IS UP TO KAISER WHO, ACCORDING TO TREFETHIN, MUST NOW RECRUIT ENGINEERS TO COME TO BULGARIA. HE FELT THAT IN SHORT TERM CONSTRUCTION OF NEW CEMENT PLAN HAS GREATEST POTENTIAL, ALTHOUGH ZHIVKOV PERSONALLY ASKED HIM TO BEGIN FEASIBILITY STUDY ON STEEL MILL BY MARCH 31, SCHEDULE KAISER INTENDS TO KEEP. ALTHOUGH MUCH REMAINS TO BE DONE BEFORE ACTUAL CONTRACTS SIGNED, KAISER GROUP LEFT WITH FEELING THEY HAD BEEN GIVEN GREEN LIGHT TO SEEK FINANCING ON SOME OF PROJECTS. TREFETHIN TOLD EMBOFF THAT HE PERSONALLY WOULD COMMIT "KAISER'S RESOURCES" TO PROGRAMS, POTENTIAL OF WHICH HE CALLED "IMMENSE". TREFETHIN ADDED HE WILL MAKE CALLS IN WASHINGTON SHORTLY "AT HIGHEST LEVELS" TO DISCUSS HIS VIEW OF BULGARIAN PROSPECTS.
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